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Mr. Nixon: His Own Economic Manager

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George Shultz, the greatest Secretary of the Treasury since John Connally, his immediate predecessor, is leaving the government in something less than a blaze of glory.

The news about the appointment of William E. Simon as his successor was topped by the headlines reporting the highest peacetime inflation in recent U.S. history and, along with it, the sharpest drop in the gross national product (GNP) since 1958.

The simultaneous combination of recession and inflation is the worst of all economic worlds. It is such a rare phenomenon that a new name ("stagflation") had to be coined after the Nixon administration came in to describe it. The nation first got a taste of it in 1970-71, but now it is back with a vengeance.

In naming Mr. Simon to succeed Mr. Shultz, the White House made it known that the new Treasury chief will not have the broad powers supposedly enjoyed by his predecessor. From now on, it is intimated, the President himself will be calling the shots on the economic and fiscal fronts.

The fact is, however, that Mr. Nixon will now only be doing openly what he has right along been doing behind the scenes. It suited Mr. Nixon's purposes to give Mr. Shultz the extra title of presidential assistant and to picture him as the overall director of the economic policy for the administration. In practice, though, the President frequently disregarded Mr. Shultz on the

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big decisions, and when he didn't he sometimes wished he had.

From the beginning of his first term, Mr. Nixon has been torn between an ideological and political approach in dealing with the mammoth U. S. economy, which explains why the policy has been so erratic. Having used up three Treasury secretaries already, Mr. Nixon is now starting on a fourth one.

In the end, he has never listened to any of them very long, although he has always liked and respected Mr. Shultz even when disagreeing with him. But then, everybody likes George Shultz. His integrity commends him even to those who question his mastery of economics.

Mr. Nixon's first treasury secretary was David Kennedy, a rather unsophisticated Chicago banker, whose political innocence quickly got him in trouble with the White House. Mr. Kennedy had the unfortunate habit of blurting out the truth. When inflation began overtaking the new Nixon administra-

tion, Mr. Kennedy started talking about curing it with a little unemployment. Later, he further enraged the White House by suggesting wage and price controls might have to be imposed.

Since Mr. Nixon during his 1968 campaign had denounced controls as the work of the devil, Mr. Kennedy's indiscretion was the last straw. In December, 1970, he was replaced by John Connally, the former governor of Texas, who didn't like controls any more than the President or George Shultz, then the budget director.

Nevertheless, Mr. Connally, being a politician above all else, took a hard look at the public opinion polls and, perceiving that unemployment and inflation were wrecking the administration's popular standing, recommended controls. Mr. Nixon at first was appalled. Mr. Connally, in effect, said, "Do you want to be right or be President?" Against the advice of Shultz, the President suddenly went

on television in the summer of 1971 and announced an instant, sweeping economic freeze, to be followed by the imposition of full wage and price controls.

Connally was hailed—for a short period—as the administration's economic czar. He devalued the currency, cut the U.S. dollar loose from gold and slapped stiff surcharges on foreign imports. The White House was a little disillusioned, though, when the first devaluation had to be followed by a second dose, and old allies angrily reacted against the Connally shock tactics.

When the Texan resigned in May, 1972, he was succeeded by Shultz, who promptly began a campaign to abolish controls, which he knew Mr. Nixon inherently disliked. The controls were so effective in reducing inflation, however, that Mr. Shultz did not prevail until early 1973. His "victory" turned into a disaster of still unknown proportions.

At the time the controls were abandoned the inflation rate was down to 3 per cent annually. The latest report shows an awesome yearly rate of 10.8 per cent, with the gross national product simultaneously sinking 5.8 per cent. It's not difficult to see why Mr. Nixon is disinclined to give Mr. Simon the kind of power Mr. Shultz enjoyed for a time. Considering the present state of the economy, it's also easy to understand why the President thinks it needs more of his personal attention. It surely needs something.

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